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November 21, 2007

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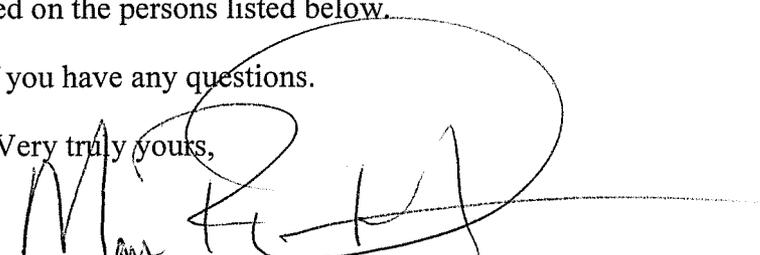
RE: P.S.C. Case No. 2007-00276

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and six copies of the Kentucky Power's Responses to the Data Requests propounded on November 7, 2007. By copy of this letter, copies of the Responses are being served on the persons listed below.

Please do not hesitate to contact me if you have any questions.

Very truly yours,


Mark R. Overstreet

cc: Lawrence W. Cook
Michael L. Kurtz

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COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF

AN EXAMINATION OF THE APPLICATION)
OF THE FUEL ADJUSTMENT CLAUSE OF)
KENTUCKY POWER COMPANY) CASE NO. 2007-00276
FROM NOVEMBER 1, 2006 THROUGH)
APRIL 30, 2007)

KENTUCKY POWER COMPANY

RESPONSES TO COMMISSION STAFF OCTOBER 11, 2007
HEARING DATA REQUESTS

November 21, 2007

Kentucky Power Company

REQUEST

Refer to the October 10, 2007 letter from Kentucky Power's counsel, Mark Overstreet, to Beth O'Donnell, Executive Director of the Commission ("October 10 letter")

a. The second paragraph under the heading The Metering Equipment Inaccuracies indicates that there were different causes for the inaccuracies discovered at the interconnection in June 2007. For the Leach to South Neal tie line interconnection with Appalachian Power Company ("APCO") the cause was identified as a programming error. When was "the portion of the metering equipment that aggregates the usage data" last programmed?

b. Explain why, given the nature of the error (using the wrong plus/minus designator), Kentucky Power has not concluded that the date the equipment was last programmed is when the inaccuracies began.

c. The second paragraph under the heading The Adjustment in May 2007 Billings indicates that the impact of correcting the inaccuracies for May 2007 is a net credit to Kentucky Power's customers of \$66,075. Given that the section headed Additional Staff Inquiries indicates that there may be some further adjustments in the case of APCO concerning the Leach to South Neal tie line, is it correct to conclude that monetary impacts of the inaccuracies can be computed separately for the two different interconnections? If no, explain why not.

d. Item (g) under the heading Remedial Measures states that metering equipment at certain stations in Kentucky will be upgraded at a cost of approximately \$2 million.

(1) Explain the types of equipment that will be replaced and the relevancy of the equipment to correcting the metering inaccuracies at the Leach to South Neal tie line interconnection and the Bellefonte-Pleasant Street tie line interconnection.

(2) Explain how replacement of equipment will ensure that a programming error such as the error that occurred at the Leach to South Neal tie interconnection will not reoccur.

RESPONSE

- a. The portion of the metering equipment (CEAS) that aggregates the usage data was changed 15 times during the period January 1, 2007 through May 30, 2007 all of which were prior to the correction of the Leach to South Neal sign change which occurred on June 7, 2007. The last programming change prior to the June 7, 2007 occurred on May 9, 2007. None of these changes affected that portion of the programming giving rise to the metering equipment error on the Leach-South Neal tie line.
- b. See the Company's response to "a" above.
- c. No. The inaccurate metering equipment yielded both inaccurate energy readings (which affected the fuel adjustment clause and customer's share of off-system sales profits) and inaccurate demand readings (which affected the environmental surcharge). The inaccurate demand readings in turn affected the calculation of member load ratios. The member load ratios must be calculated using each member company's 12-month peak total load and measuring that load in relationship to the total Pool's non-concurrent peak load rather than being based on an individual company's load. In the case of Kentucky Power that requires using the corrected demand produced by both tie lines with inaccurate metering equipment. For example, a change in a single member's load would potentially have an impact on the member load ratio for multiple operating companies.
- d.(1) New revenue class instrument transformers (current transformers and voltage transformers) dedicated for metering will be installed at several KPCo stations. Also, state of the art digital meters will replace existing older revenue meters in several stations, and communications will be added to the stations as necessary to remotely retrieve the station meter data. This will result in a dedicated metering system for each metered tie line, which will perform better, and make metering data retrieval, processing, validation and interpretation more straightforward. The new digital meters have self diagnostics and alarm capability, which will enable faster detection and correction of field meter system problems.
- d.(2) Dedicated metering systems for each metered point will provide data that is easier to understand, interpret, and process and eliminating the masking effect of using a single meter. This will also facilitate detection of metering system data errors, if and when they would occur.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

At the October 11, 2007 hearing, Kentucky Power's witness, Errol Wagner, in response to the question posed by Commission Staff counsel at 9:08:40 a.m. as shown on the video recording of the hearing, indicated that Kentucky Power had gone back several months but could not determine when the metering inaccuracies started.

- a. What specific calendar months (for what years) were included in the "several months" to which Mr. Wagner referred?
- b. Is it correct to conclude, based on Mr. Wagner's responses at the hearing that Kentucky Power has been unable to determine if inaccuracies occurred during any month other than May 2007? Explain the response.

RESPONSE

- a. The specific months included in the "several months" referenced were the 31-month time period from November 2005 through May 2007.

Subsequent to Mr. Wagner's testimony, and with respect to the Bellefonte-Pleasant Street tie-line only, Kentucky Power determined that the CT tap at the subject meter was modified on November 16, 2005 without synchronizing it with the adjacent meter. As a result, Kentucky Power believes the metering equipment inaccuracies with respect to the Bellefonte-Pleasant Street tie-line began on November 16, 2005.

- b.No. The testimony was that based upon the review of the CEAS data, the Company was unable to determine when the inaccuracies first occurred.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Refer to the second and third paragraphs of the October 10 letter under the heading Additional Staff Inquiries and to Attachment 6 to the October 10 letter.

- a. Provide a list of the specific items shown on the flowchart in the attachment, including the Consolidated Energy Accounting System ("CEAS") and all the items to the left that feed into the CEAS, which includes the full name of the item and the account or sub-account in which it is recorded in Kentucky power's books of account. Clearly reflect all cross-references, as necessary, to the Uniform System of Accounts adopted by the Commission for electric utilities
- b. For each item listed in part (a) of this response, explain its function in the metering process.

RESPONSE

a & b Attached is a list which includes the full name of the items and a description of the function each item performs to the left that feed into the CEAS.

Accounting does not record activity "left of the CEAS" in the Company's accounting records. All of the accounting information is recorded using the information to the right or down stream of the CEAS. The account numbers and the title of the accounts used to record the information to the right of CEAS are shown on pages 3 and 4 attached.

WITNESS: Errol K Wagner

Process Flow		
System Abbreviation	Full Name	Function
PT	Potential Transformer	The potential transformer translates the high voltage from the transmission line to a voltage that can be used by the meter.
CT	Current Transformer	The current transformer translates the high current from the transmission line to a current that can be used by the meter.
Meter	Meter	The meter converts the voltage and current into magawatt, magavar, magawatthours, magavarhours, voltage, current and etc. to be used by the system operators and load calculation.
RTU	Remote Terminal Unit	The remote terminal unit collects readings from different devices in the transmission substation and packages the data to communicate to the SCADA system.
SCADA	Supervisory Control And Data Acquisition	It takes the reading used in load calculation from the RTU and sends it on to CEAS
CEAS	Consolidated Energy Accounting System	The Consolidated Energy Accounting System (CEAS) maintains detailed hourly scheduled, generation, tie, weather, and other miscellaneous records. CEAS calculates various loads, including internal, and MLR. CEAS permits several user communities to correct those hourly records, each within a different time frame and under a separate security profile. CEAS makes the corrected detailed hourly records available to system and users. In addition, CEAS serves as a repository of load data for the entire AEP enterprises.
MV90	MV90	MV90 is a retrieval, translation, validation, editing, storage, and reporting application for interval pulse data collected by Recorders for Large Commercial & Industrial billing customers, General service and residential customers, Interchanges with power producers and wholesale customers, and Intrachange and substation points across the AEP System.
SAS	Statistical Analysis Software	The SAS system export data from the MV90 proprietary data base. The SAS application reads the resulting export files, merges the data against a mapping table, reformates the data, and sends the data on to the CEAS application.

Account Number	Account Name
4470001	Sales for Resale - Assoc Cos
4470002	Sales for Resale - NonAssoc
4470004	Sales for Resale-Nonaff-Ancill
4470005	Sales for Resale-Nonaff-Transm
4470006	Sales for Resale-Bookout Sales
4470007	Sales for Resale-Option Sales
4470010	Sales for Resale-Bookout Purch
4470011	Sales for Resale-Option Purch
4470026	Sale for Resl - Real from East
4470028	Sale/Resale - NA - Fuel Rev
4470035	SlS for Rsl - Fuel Rev - Assoc
4470064	Purch Pwr PhysTrad - Non Assoc
4470066	PWR Trding Trans Exp-NonAssoc
4470081	Financial Spark Gas - Realized
4470082	Financial Electric Realized
4470089	PJM Energy Sales Margin
4470090	PJM Spot Energy Purchases
4470091	PJM Explicit Congestion Cost
4470092	PJM Implicit Congestion-OSS
4470093	PJM Implicit Congestion-LSE
4470094	PJM Transm. Loss - OSS
4470095	PJM Ancillary Serv.-Reg
4470096	PJM Ancillary Serv.-Spin
4470097	PJM Ancillary Serv.-Sync
4470098	PJM Oper.Reserve Rev-OSS
4470099	PJM Capacity Cr. Net Sales
4470100	PJM FTR Revenue-OSS
4470101	PJM FTR Revenue-LSE
4470103	PJM Energy Sales Cost
4470104	PJM OATT Ancill.-Reactive
4470105	PJM OATT Ancill.-Black
4470106	PJM Pt2Pt Trans.Purch-NonAff.
4470107	PJM NITS Purch-NonAff.
4470108	PJM Oper.Reserve Rev-LSE
4470109	PJM FTR Revenue-Spec
4470110	PJM TO Admin. Exp.-NonAff.
4470112	Non-ECR Phys. Sales-OSS
4470113	PJM Non-ECR Purchases-OSS
4470114	PJM Transm. Loss - LSE
4470115	PJM Meter Corrections-OSS
4470116	PJM Meter Corrections-LSE
4470117	Realiz. Sharing-447 Optim
4470118	Realiz. Sharing-PJM OSS
4470119	PJM SECA Transm. Expense
4470124	PJM Incremental Spot-OSS
4470125	PJM Incremental Exp Cong-OSS
4470126	PJM Incremental Imp Cong-OSS
4470127	Sales for Res.-Aff. Pool Cap
4470128	Sales for Res.-Aff. Pool Energy
4470131	Non ECR Purchased Power OSS
4470132	Spark Gas - Realized
4470141	PJM Contract Net Charge Credit
4470143	Financial Hedge Realized
4470144	Realiz.Sharing - 06 SIA
4470145	PJM Hourly Net Purch.-FERC
4470155	OSS Physical Margin Reclass
4470156	OSS Optim. Margin Reclass
4470166	Marginal Explicit Losses
4470202	PJM OpRes-LSE-Credit

Account Number	Account Name
4470203	PJM OpRes-LSE-Charge
4470204	PJM Spinning-Credit
4470205	PJM Spinning-Charge
4470206	PJM Trans loss credits-OSS
4470207	PJM transm loss charges - LSE
4470208	PJM Transm loss credits-LSE
4470209	PJM transm loss charges-OSS
4470210	PJM ML OSS 3 Pct Rev
4470211	PJM ML OSS 3 Pct Fuel
4470212	PJM ML OSS 3 Pct NonFuel
4560049	Merch Generation Finan -Realzd
4560058	PJM NITS Revenue-NonAff.
4560059	PJM NITS - Affiliate
4560060	PJM Point to Point Trans Svc
4560061	PJM TO Adm. Serv.-Affiliate
4560062	PJM TO Admin. Rev..-NonAff.
4560063	PJM Pt2Pt Transm. Serv.-Affil
4561005	PJM Point to Point Trans Svc
4561006	PJM Trans Owner Admin Rev
4561007	PJM Network Integ Trans Svc
5550002	Purchased Power - Associated
5550004	Purchased Power-Pool Capacity
5550005	Purchased Power - Pool Energy
5550035	PJM Normal Purchases (non-ECR)
5550036	PJM Emer.Energy Purch.
5550038	Buckeye Excess Energy-OSS
5550039	PJM Inadvertent Mtr Res-OSS
5550040	PJM Inadvertent Mtr Res-LSE
5550041	PJM Ancillary Serv.-Sync
5550042	PJM OATT Ancill.-Reactive
5550043	PJM OATT Ancill. - Black
5550057	PJM Ancill. Regulation Purch.
5550074	PJM Reactive-Charge
5550075	PJM Reactive-Credit
5550076	PJM Black Start-Charge
5550077	PJM Black Start-Credit
5550078	PJM Regulation-Charge
5550079	PJM Regulation-Credit
5550080	PJM Hourly Net Purch.-FERC
5550083	PJM Spinning Reserve-Charge
5550084	PJM Spinning Reserve-Credit
5550088	PJM Capacity Normal Purchases
5560002	PJM Admin.Services-OSS
5560003	PJM Admin.Services-LSE
5570006	PJM Trans.Mkt Expan. Exp.
5614000	PJM Admin-SSC&DS-OSS
5614001	PJM Admin-SSC&DS-Internal
5618000	PJM Admin-RP&SDS-OSS
5618001	PJM Admin-RP&SDS- Internal
5650003	AEP Trans Equalization Agmt
5650007	Tran Elec by Oth-Aff-Trn Price
5650012	PJM Trans Enhancement Charge
5757000	PJM Admin-MAM&SC- OSS
5757001	PJM Admin-MAM&SC- Internal
5560004	Realiz. Sharing-PJM OSS Admin

Kentucky Power Company

REQUEST

Refer to the first paragraph of the October 10 letter under the heading Additional Staff Inquiries which refers to the possibility of the West Virginia Commission ("WVC") allowing APCO to true-up its settlements related to the metering inaccuracies at the Leach to South Neal tie line to a date prior to May 2007.

- a. Given Kentucky Power's position that Article 8.6 of the 1951 Interconnection Agreement between Kentucky Power, American Electric Power ("AEP") Service Corporation, and the other AEP operating companies ("Interconnection Agreement") governs the matter of the metering inaccuracies at the two tie line interconnection, explain how the WVC and APCO can consider a time period for settlements that is prior to the 30-day period established in Article 8.6.
- b. The second half of the paragraph indicates that, should the WVC permit APCO to recover costs back to a date prior to May of 2007, the AEP System has elected to transfer any sums beyond the 30-day "contract period" set forth in Article 8.6 of the Interconnection Agreement to Kentucky Power. Does AEP intend to accept whatever adjustments APCO is permitted and have those applied to Kentucky Power, with Kentucky Power having no recourse but to accept them? Explain the response.
- c. Provide a further narrative description, along with an example of a hypothetical month, that shows how additional adjustments by APCO will impact Kentucky Power.

RESPONSE

(a) APCo is under no legal obligation to pay, and Kentucky Power has no legal ability to compel APCO to refund to Kentucky Power, any overcharges beyond the thirty-day period specified in Article 8.6 of the Interconnection Agreement. That period is May, 2007. Under West Virginia law, APCo's expense recovery mechanism is "true-up" on an annual basis. Kentucky Power expects APCo to make its filing in March, 2008 and to receive an order with respect to the "true-up" proceeding in July, 2008. As part of that proceeding, APCo will report its actual energy and demand to the West Virginia Commission. The determination of whether to use APCO's actual (adjusted for the metering equipment inaccuracies) January-April, 2007 energy and demand, or to use only that demand and energy for January-April, 2007 that reflects APCo's contractually determined energy and demand, lies within the West Virginia Commission's discretion.

(b) Yes. Kentucky Power is unaware of any reason why it should not accept any West Virginia Commission sanctioned refunds from APCo of overpayments for the period January-April, 2007. Under Article 8.6 of the Interconnection Agreement, Kentucky Power has no legal right to demand the return of any of the overpayments for the period January-April, 2007.

(c) Any additional adjustment by APCo will impact KPCo in the same fashion as the May 2007 adjustments.

For example, if APCo's Member Load Ratio (MLR) increased and because they are a deficit in the Pool, then their Pool capacity payment would increase and KPCo's Pool capacity payment would decrease. The net effect would be a debit to APCo's Account 555 and a credit to KPCo's Account 555.

With respect to the change in the level of System Sales Profit as a result of the change in the respective Companies' MLR, since APCo's MLR increased they are entitled to a higher level of System Sales Profit and since KPCo's MLR decreased they are not entitled to as much System Sales Profit as first recorded. This would result in a credit to APCo's Account 447 and a debit to KPCo's Account 447.

Any change in the fuel cost for the respective Companies' would be dependent on the hour by hour re-dispatch results and both the 501 Fuel Accounts and the 555 Purchase Power Account could be affected.

WITNESS: Errol K. Wagner